

Nordenergi's position on the European Commission's 2050 climate strategy

Nordenergi is the joint-collaboration between the Nordic associations for electricity producers, suppliers and distributors. Members are Danish Energy, Energy Norway, Finnish Energy Industries and Swedenergy. Overall, Nordenergi represents more than 800 market actors (member companies), most of them active in the electricity sector, but also in other areas such as district heating, gas and services.

Summary

- Climate change poses a fundamental threat to our planet. Nordenergi therefore calls on the European Commission to lay out a clear road map for a net-zero carbon EU by 2050.
- Strengthen the EU emissions trading Scheme to deliver a meaningful carbon price that drives decarbonisation.
- Ensure a well-functioning, fully integrated power market and develop a European electrification strategy.
- Ensure that the assumptions made in the preparatory modelling work is based on accurate and updated data.

Detailed views

New and more ambitious climate targets to 2050

The global climate agreement from December 2015, sets out a clear obligation to keep global temperature rise well below 2 degrees Celsius and to pursue efforts to 1.5 degrees. For Europe to contribute fairly to this ambition, a net-zero carbon EU by 2050 should be pursued. Nordenergi therefore calls on the European Commission to develop a clear road map for a net-zero carbon society well before 2050. This will require significant efforts in both the energy sector, industry, buildings, transport and regarding land use and land use change.

EU should establish an emission trajectory towards 2050 with an ambitious intermediary target for 2040, and it should revise the 2030 emission target so that targets are in line with the Paris agreement. In the interest of cost-efficient decarbonisation, the focus should be on early actions. At the same time, maintaining economic competitiveness during the decarbonisation transition is vital for the EU.

Strengthening of the EU ETS is needed

Although, no silver bullet will deliver an ambitious 2050 strategy, we strongly encourage policy makers to deploy the EU Emissions Trading Scheme (ETS) as the main climate policy instrument. The EU ETS should be the main tool for ensuring cost-effective and flexible emission reductions in the industry and energy sectors. It is harmonized across the EU and works well together with the internal energy market. Despite recent increases in the allowance price, the ETS is still far from being able to drive the transition to a net-zero carbon society on its own. Hence, the European Commission should regularly monitor the effect of the EU ETS and if necessary take measures to strengthen the system in order for ETS to have the guiding effect as intended. The alternative to EU ETS is a patch work of national policies which would be much less cost-efficient.

To further strengthen the EU ETS:

- Extend the EU ETS to cover more sectors. It would strengthen the carbon market to include more sectors and we would suggest looking primarily heating, and subsequently at transport where aviation is partly included and there is a possibility that shipping will be included from 2023.
- Extend the doubled intake in the market stability reserve to 2030.
- Better assessment of the impact of overlapping policies on the functioning of the ETS. The European Commission should regularly monitor how other legislation in the field of energy affects the demand of emission allowances and if necessary take measures to strengthen the EU ETS.
- Align the linear reduction factor with the 1.5 degrees pathway agreed in the Paris agreement.

Assumptions made in the preparatory modelling work must be based on accurate and updated data

The 2050 strategy will be a key driver for future policy design preferences in the European Union. It is therefore of crucial importance that the assumptions made in the preparatory modelling work is based on accurate and updated data. During the negotiations on the recently adopted Renewable energy directive, cost assumptions for renewable energy in the Commission modelling was heavily criticized for being too high. This issue should be carefully assessed and addressed both during the preparatory phase and in the following process.

Electricity market design

The power sector transition will require significant investments over the next decades. Well-functioning, fully integrated power markets are needed to provide correct short and long-term price signals. Member States should also strive to implement the Clean Energy Package. The enforcement of these rules by the Commission is therefore of importance.

Further, proper framework conditions for the deployment of renewable energy needs to be promoted by strengthening EU ETS and increasing regional cooperation.

As demand side flexibility, storage, electric vehicles, individual heating and decentralized production progresses, the need for robust grids and stable framework conditions becomes more prevalent. DSOs will play a key role as market facilitators in this context and should be given the flexibility to pursue innovative solutions.

Develop a European electrification strategy

Electrification will be a key enabler for decarbonisation in many sectors, notably in transport, heating and cooling as well as industrial processes. However, electrification only makes sense if the electricity is supplied by low-carbon energy sources.

As electrification will be a key component in decarbonisation, investments in clean energy, grids and demand side solutions will be needed. An overall strategy to address these issues at European level should be developed.

Digitalisation, energy efficiency, district heating and combined heat and power

Digital solutions should be encouraged to be developed and implemented enabling Europe to cost-efficiently, making the transition to 2050 with a smart grid, possibility for flexibility products and a customer oriented and user-friendly digitalised market.

Coupling the growing electricity and district heating and cooling sectors will allow to integrate heat storage, recycled heat, renewable fuels, hydrogen and biogas, large-scale heat pumps, biofueled combined heat and power with carbon capture and demand side flexibility into a smart system. New energy services will be at the core of circular economy, green mobility and smart cities of the future.

Energy efficiency measures should be designed to maximise CO₂ mitigation, by focusing on heating and transport based on fossil fuels. Electrification can play a significant role in both increasing efficiency and removing GHG emissions from heating and transport.

Conditions for expansion of fossil-free district heating and combined heat and power should be improved to reduce emissions and take advantage of resources that would otherwise have been lost e.g. waste streams and waste heat.

The Nordic Energy Associations look forward to taking part in a constructive debate on how to achieve a net-zero carbon EU by 2050 and remain at your disposal for any questions you may have.

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